

Transmittal



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As required by Congress, The Office of Thrift Supervision (OTS) and the federal bank regulatory agencies have jointly issued the attached final safety and soundness standards. The agencies also adopted final regulations containing deadlines for institutions to submit compliance plans when requested by their primary regulator, and deadlines for the agencies to review them. Both the submission and agency review deadlines are generally 30 days.

When mandating the standards as part of the Federal Deposit Insurance Corporation Improvement Act of 1991, Congress sought to give the regulatory agencies tools to identify and correct problems at savings institutions before the problems become serious enough to erode capital and trigger prompt corrective action measures.

OTS believes most savings associations already comply with the safety and soundness standards, which were issued in the form of guidelines.

OTS intends to use the new safety and soundness compliance plans to supplement already existing enforcement tools. Ordinarily, OTS will request a compliance plan from an institution whose failure to meet one or more standards threatens the safe and

sound operation of the institution and other enforcement measures are not deemed appropriate by OTS.

The standards adopted in the guidelines cover such factors as internal controls and audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, as well as compensation, fees and benefits.

The agencies also published separate proposed safety and soundness standards for asset quality and earnings, also attached. The agencies will accept public comment for the next 45 days. After reviewing the comments, the agencies may add the asset quality and earnings standards to the standards already in the guidelines.

The final rule, guidelines, and proposed asset quality and earnings standards were published in the July 10, 1995, edition of the *Federal Register*, Vol. 60, No. 131, pp. 35673-35690. Written comments on the proposed asset quality and earnings standards must be received on or before August 24, 1995, and should be addressed to: Chief, Dissemination Branch, Records Management and Information Policy Division, Office of Thrift Supervision, 1700 G Street, NW, Washington, DC 20552.

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Attachment